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Economic Research Service

U.S. Department
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Volume 3, Number 1

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A Bimonthly Newsletter for Economic Research Service Employees and Colleagues

WHITE TO CHAIR INTERAGENCY FOOD AID ANALYSIS WORKING GROUP

USDA will serve as the lead agency in the Interagency Food Aid Analysis Working Group, which will function as a



standing subcommittee within the Development Coordinating Committee. The Working Group is to be chaired by Kelley White, left, Director of ERS' International Economics Division. The Working Group was established by the White House as part of its initiative on

emergency food aid and is designed to reduce human suffering and loss of life brought about by acute food shortages overseas.

The Working Group will seek more accurate and timely data and ways to refine analytical methods in order to derive information relevant to program and policy decisionmaking.

Currently, the Working Group is establishing technical working committees to monitor food crop conditions and to provide improved communication among U.S. and international agencies.

In a related activity, ERS has taken a leading role in assessing and helping to monitor the critical food situation in a number of countries in sub-Saharan Africa, particularly Ethiopia, Sudan, Niger, and Chad. Work has involved estimating food needs and presenting those estimates at various meetings where decisions on the amounts and logistics of food aid are determined.

FOOD AND AGRICULTURAL POLICY INFORMATION PROJECT

The Food and Agricultural Policy Information Project of ERS' National Economics Division serves as the focal point for the transfer of broadly defined agricultural policy information between ERS researchers, the Congress, other USDA agencies, other Federal and State organizations, and the public.

Incoming agricultural policy information is monitored through the use of computerized data sets like Legi-Slate and Commodity News Service, as well as publications such as the House and Senate **Calendar of Business**, the **Congressional Record**, **Federal Register**, **Congressional Monitor**, and internal USDA information sources.

Copies of bills, laws, hearings, and reports relating to a wide range of food and agricultural topics produced within Congress are maintained and additional copies are distributed to ERS researchers through a mailing list. Program information generated by other USDA agencies such as ASCS and FmHA are also kept on file. The Department's summary of daily news items, **AG A.M.**, and ASCS's daily **Clippings** are also available to ERS researchers.

Another channel for this distribution of policy information is through

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Information Project, continued.

articles in publications such as **Agricultural Outlook** and the **National Food Review**. Agricultural policy news items related to the 1985 farm bill debate are also available on an experimental basis to analysts outside Washington via personal computer bulletin board available 24 hours a day, 7 days a week.

As a primary contact point for the Congress, the project receives a considerable volume of telephone inquiries covering a wide variety of topics. The project also provides the Secretary of Agriculture with briefing information when he travels.

For further information, call Tom Fulton (202-447-4943).

AGRICULTURAL OUTLOOK CONFERENCE

USDA's 61st Annual Agricultural Outlook Conference was held December 3-5. This year, discussions centered on prospects for the 1985 farm bill as well as the outlook for the economy, agriculture, and trade. This year's conference also featured sessions on the farm economy, agribusiness and inputs, food prices and marketing, soil conservation, weather and climate, rural development, crop insurance, agricultural research, international trade, and transportation. The outlook for families focused on topics such as housing, clothing, farm policy, medical care expenses, and measuring poverty.

ERS Economist Donald Seaborg was program chairman of the conference and ERS Administrator John Lee served on the conference steering committee. ERS staff gave 22 papers, presided over 3 sessions, and formally discussed 1 paper.

The proceedings of the conference will be published and may be purchased for \$15.00 from the World Agricultural Outlook Board, 5143-S, Washington, DC 20250.

ERS DATA BASE COMMITTEE

An ERS Data Base Committee has been looking at issues relevant to ERS data base policy. Those issues include the primary purpose and use of ERS data bases, whether ERS should have a publicly accessible data base or set of data bases, and the potential benefits and costs.

The committee is also considering how the many functions necessary to implement a data base can best be performed. What are the data base characteristics and needs of ERS at all levels in terms of timing, accessibility, ease of use, maintenance, file management and directory, and system security? Other issues include the types of information that should be included in data bases and whether emphasis should be placed on a centralized data base, many decentralized data bases, or a combination.

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ADMINISTRATOR'S LETTER

Photo by Marshall Cohen



On December 17, Assistant Secretary William Lesher announced that a panel of 14 experts from outside Government will review USDA's statistics and economics programs. The names of panel members and information on content and timing of that review are on page 8 of this **Newsletter**.

As agricultural markets have become more sophisticated and sensitive to supply and demand information, the demands for accuracy and timeliness of data and analyses have increased. Levels of accuracy of statistics considered standard a few years ago are viewed as unacceptable today. For decades, situation and outlook reports, published a few times a year and released 2 to 4 weeks after USDA approval were the standard source of market information. Today, the demand is for constantly updated and instantly available current intelligence. In that setting, a review of the content, methodology, and priorities for SRS, ERS, and World Board reports is timely and appropriate.

That review presents an opportunity to evaluate three aspects of ERS's program:

- First, what is the appropriate balance between current intelligence activities and other research and analysis activities in ERS in the event of stable or declining staff resources, rather than increasing resources?
- Second, it will be important to get the views of the review panel members and others on the specific comparative advantages of ERS in the current intelligence area. Many private firms now offer short-term forecasting services that can be tailored to the needs of specific clients. Perhaps ERS should focus more on explaining economic, institutional, and policy forces underlying likely market behavior, and the sensitivity of future developments to changes in those forces. In addition, ERS analysts may be able to provide a longer term perspective on likely developments. Many in the agricultural industry have expressed a need for such a perspective as a guide to investment decisionmaking.
- Finally, the review can be a showcase of our recent innovations in economic indicators as well as in our outlook program. Some of those innovations will be the subject of future articles in this **Newsletter**.

The response of ERS staff to the proposed review has been positive. Deputy Associate Administrator Patrick O'Brien and Donald Seaborg (Chief, North America and Oceania Branch, International Economics Division) will coordinate ERS involvement with the review panel. Assistant Administrator Bruce Greenshields, Data Coordinator Edward Reinsel, and Patrick O'Brien have prepared a basebook on ERS programs, resources, and statistical series for the review panel. If you have suggestions for the review activity, please forward them to me or to any of the individuals named above.

Let me take this opportunity to thank each of you for a productive 1984 and to wish you a rewarding and happy 1985.

John Lee

Current Research

ERS CONDUCTS LAND VALUES SURVEYS

An ERS program of surveys is underway to improve the accuracy and timeliness of information on land values. It includes surveys of rents and leasing terms, land sales and other transfers, and land assessment records. It is under the leadership of ERS Economists Gene Wunderlich, William Heneberry, and Charles Barnard in the Land Economics Branch, Natural Resource Economics Division (NRED).

Improvements in the statistics are needed because of rapid changes in land values in recent years. The upward price trend accelerated in the 1970's, then turned around in 1981 and 1982 in most States as values began to drop. By 1984, values in some States had declined 25 percent or more. More reliable and timely data are necessary to satisfy the demand for the latest information and to improve understanding of the factors that affect values.

Cooperative research agreements with land-grant universities are being used in planning and conducting the surveys.

Universities involved include Cornell, Illinois, Texas, Virginia Tech, Washington State, and Wisconsin.

ERS AND AMS STUDY MILK MARKETING REGULATIONS

The Senate Appropriations Committee has asked ERS and USDA's Agricultural Marketing Service (AMS) to examine the barriers imposed by the milk control laws of various States on market entry by milk processors, dealers, and handlers, and the effect of such laws on supply and consumption of milk and milk products and wholesale and consumer prices.

ERS and AMS staff have discussed with the Senate Appropriations Committee staff the scope of the study, areas of emphasis, product to be delivered, and target dates. The primary focus is on the extent of restrictive licensing, resale price fixing, and other barriers. A report is due to the Senate Appropriations Committee by September 30, 1985. The ERS project leader is Richard Fallert.

MULTIPLE OBJECTIVE ANALYSIS AND AGRICULTURAL POLICY OPTIONS

Elizabeth Erickson, Visiting Professor from the University of Ohio, and ERS Economist Robert House are evaluating options for the 1985 farm bill. They are using multiple objective analysis techniques to analyze farm policy alternatives in a pilot project.

Agricultural and food policy has a broad array of goals and there is a need to clarify the effects of suggested programs on various objectives. ERS can test the probable effects of alternative policies using simulation models. However, such ad hoc simulations leave an important gap in analysis: How does one effectively measure and present tradeoffs between goals?

Multiple objective analysis provides a systematic approach to that problem, including methods to:



- develop a range of efficient solutions;
- aggregate data for improved comprehension; and
- aid decisionmakers.

SLOGGETT HEADS GROUND WATER STUDY

About half of the over 30 million acres of land irrigated with wells are located in areas with declining ground water levels. As a result, pumping costs are rising, and well yields are decreasing. Eventually, it will not be economically feasible to pump ground water for irrigation. That event will occur very gradually and affect some areas sooner than others.

ERS Economist Gordon Sloggett, Water Branch, Natural Resource Economics Division (NRED), is the leader of a project examining this problem. Located in Stillwater, Oklahoma, Sloggett is in a unique position to analyze the situation since the Texas High Plains is the first area to be significantly affected. The objective of the study is to investigate probable near-term effects of declining ground water on the quantity and location of U.S. agricultural production and to determine what changes farmers and institutions can make to deal with the problem.

The first phase of the study involves examining the various factors contributing to the problem. How much irrigated area is affected? At what rates are the water levels declining within and among various areas? What crops are being irrigated in those areas, and what is their relationship to total agricultural production? What types of energy and irrigation systems are being used? With that information, researchers can gauge the extent and complexity of the problem of declining water levels on U.S. agricultural production.

Second, areas with declining ground water have been chosen for intensive study to determine individual farmer response to the problem.

Finally, institutional management of the declining water level problem is being studied. An analysis of the various management techniques will be made to determine their effectiveness and possible adoption in other areas.

GADSON, TRAUB DEVELOP FRUIT AND VEGETABLE MODEL

Under an interagency agreement with the Food and Nutrition Service (FNS), ERS Economists Kenneth Gadson and Larry Traub are developing an econometric model of the U.S. fruit and vegetable industry to complement other ERS models. One purpose of the new model is to analyze the effects on the farm economy of replacing donated commodities in the National School Lunch Program with either cash or commodity letters of credit. The analysis of such market effects will use data supplied by FNS from a national demonstration project of school districts in the United States.

POLICY IMPACTS PROJECT DEFINES SEVEN COUNTY PROTOTYPES

The Policy Impacts Project in ERS' Economic Development Division (EDD) has identified major patterns of nonmetro diversity and summarized them into seven county prototypes: agriculture, manufacturing, mining, government, poverty, retirement, and Federal land. Those prototypes represent cornerstones for analyses to understand effects of major forces, such as agricultural program changes, global competition, and energy embargoes on economic, social, and demographic conditions in diverse rural communities.

For example, EDD is examining the distribution of Federal outlays to the nonmetro counties in various groupings. Following are some preliminary findings:

- Expenditures for the income transfer function are highest (\$833 per capita),

[Continued on page 7.]

Staff Notes

JOHN DUNMORE APPOINTED IED DEPUTY DIRECTOR



John Dunmore has been selected as the Deputy Director for Global Analysis in ERS' International Economics Division (IED). Dunmore has B.S. and M.S. degrees in agricultural economics from The Pennsylvania State University. He also brings 14 years of broad

experience to his new position.

As Chief of the World Analysis Branch in IED, Dunmore established an effective world agriculture outlook analysis program based on the development and monitoring of key foreign commodity market variables. His strong leadership abilities strengthened ERS' commodity and trade analysis. In 1983, he received the ERS Administrator's Special Merit Award for program effectiveness and improvement.

Dunmore's appointment was effective December 9. However, he will remain on temporary detail as ERS' Associate

Administrator until that position has been filled.

FARNSWORTH NAMED NEW INPUTS AND PRODUCTIVITY SECTION LEADER



Richard Farnsworth is the new Leader of the Technology, Productivity, and Market Structure Section, Inputs and Productivity Branch, Natural Resource Economics Division. A native of Idaho, he has a B.S. from Brigham Young University and M.S. and Ph.D. degrees

from the University of California at Berkeley.

Farnsworth is a member of the American Agricultural Economics Association, has participated in numerous professional conferences, and authored over a dozen publications--most dealing with problems of risk and uncertainty in agriculture. In 1981, Farnsworth received an award for the Best Article published in ERS' journal, **Agricultural Economics Research**.

Affiliated with ERS for 5 years, Farnsworth replaces Thomas Lutton, who recently accepted a position with the Congressional Research Service.

ROVINSKY NAMED SENIOR INFORMATION RESOURCES MANAGER



Robert Rovinsky, left, formerly Deputy Director of ERS' Data Services Center (DSC), has been selected to serve on the ERS Administrator's staff as the first Senior Information Resources Manager. The establishment of that position reflects the increased need for and reliance on computer technology.

The role of the Senior Information Resources Manager will be four-fold: to advise the ERS Administrator on all aspects of information management; to chair the Information Management Planning Committee; to coordinate all planning in that area; and to represent ERS at the Department level.

Rovinsky has a M.S. in mathematics and a Ph.D. in operations research from Cornell University. His research interests are in the applications of mathematical modeling and operations research to agriculture. Rovinsky has been with ERS since 1977 as a supervisor and manager in DSC, and has recently chaired the ERS Task Force that produced ERS' first long-range information management plan. Rovinsky is a member of the AAEA Information Retrieval Committee.

**LINDA LEE NAMED
NEW NRED SECTION LEADER**



Linda Lee, left, is the new Leader of the Soil Conservation Strategies Section, Soil Conservation Economics Branch, Natural Resource Economics Division (NRED). She has a B.S. degree from Kansas State University plus M.S. and Ph.D. degrees from Iowa State University.

Lee's career in ERS began in 1977 as a researcher in NRED's Land Branch. There she spent 2 years analyzing land use issues involving rural-urban land use change, cropland development, and the influence of landownership characteristics on land use.

Between 1979 and 1983, Lee was an Assistant and Associate Professor in the Department of Agricultural Economics at Oklahoma State University (OSU). She was project leader of a USDA-OSU research agreement examining the relationships between landownership, land use, and conservation at the national level.

While on leave from OSU, Lee completed a 1-year assignment with the Soil Conservation Service (SCS) in Washington, DC. As a staff agricultural economist, she assisted SCS in analyzing urbanization trend information from the 1977 and 1982 National Resource Inventory surveys.

During her 8-year professional career, Lee has authored over two dozen publications and papers. She has been active in AAEA and is Chairperson of the AAEA Committee on the Status of Women in Agricultural Economics.

As chairperson of the Conservation Tillage Subcommittee, Great Plains Resource Economics Committee, she was instrumental in planning and conducting the Great Plains Conservation Symposium held in August 1984.

**SULLIVAN TO HEAD
RURAL CREDIT SECTION**



Patrick Sullivan is the Leader of the Rural Credit Section, Community Resources Branch, Economic Development Division. Sullivan has an M.A. in public finance from Syracuse University.

For the past 7 years, Sullivan has worked in EDD's State and Local Government Section, analyzing rural government credit markets, trends in local government revenues, the status of public facilities in rural communities, and the effects that population growth have on nonmetro government fiscal positions.

The Rural Credit Section was recently created to study issues related to the cost and availability of nonfarm credit to nonmetro America.

Policy Impacts Project, continued.

with general government (\$260 per capita) next. The lowest are for commodity agriculture (\$56 per capita).

● Functionally, loans and loan guarantees, as contrasted with direct spending, are most important for the commodity agriculture and infrastructure functions. When the subsidy components of such loans and loan guarantees were estimated and converted from actual loan amounts to net grant equivalents, the face values of total outlays per capita for the commodity agriculture and infrastructure functions in nonmetro America were reduced 68 and 57 percent, respectively. Likewise, the adjustments resulted in reductions of 38 percent in total outlays per capita to agriculture counties and of 32 percent to poverty counties.

The Policy Impacts Project is headed by ERS Economist Bernal Green.

UPCOMING MEETINGS

Feb. 3-6 Southern Association of
Agricultural Scientists
and Southern Agricultural
Economics Association
annual meetings, Biloxi,
Mississippi.

NOTICE TO ERS COLLEAGUES

To receive your own copy of this free **Newsletter** or to change your address, send your name, institutional affiliation, and address to **ERS Newsletter**, ERS/USDA, Room 450-GHI, Washington, DC 20250-1800, or call 202-447-8710.

USDA SELECTS PANEL TO REVIEW STATISTICS AND ECONOMICS PROGRAMS

Assistant Secretary of Agriculture William Lesher recently announced the names of 14 experts from outside Government who will review USDA's statistics and economics reporting programs. Secretary of Agriculture John Block said such a review was needed because of concern about the quality and timeliness of USDA's crop and livestock estimates and economic analyses.

The panel members are Darrell Good, University of Illinois (chairperson); Vern McMinimy, A.E. Staley Company (vice chairperson); James Bonnen, Michigan State University; Lyle Calvin, Oregon State University; Norm Coats, Ralston-Purina Company; Dean Ethridge, National Cotton Council; Jim Gill, Illinois Agricultural Association; Cliff Hildreth, University of Minnesota; Don Hilger, Cargill, Inc.; George Hoffman, Pillsbury Company; Joseph Steinberg, Survey Design, Inc.; Topper Thorpe, Cattle-Fax; Ewen Wilson, American Meat Institute; and Robert Wisner, Iowa State University.

Lesher said the representatives will review the content of USDA reports containing crop and livestock estimates and related economic projections; examine the data, information, and procedures used in analyses; and evaluate the effectiveness of current organizational structures in providing timely, accurate, and useful material.

Lesher praised the high professional quality of panel members and said their initial meeting in Washington, DC, will be January 24, with a final report due in his office by May.

The participants will conduct a series of meetings in selected regions of the country during February and March to help in their examination of the programs. For more details, contact Richard Allen, Director, Estimates Division, Statistical Reporting Service (202-447-3896).

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